

Service Date: September 28, 1993

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

| | | |
|---------------------------------|---|-------------------|
| IN THE MATTER Of the Submission |) | UTILITY DIVISION |
| of Montana Power Company's |) | |
| Integrated Electric Least Cost |) | DOCKET NO. 93.3.9 |
| Resource Plan. |) | ORDER NO. 5745 |

STATEMENT AND ORDER IN RESPONSE TO RESOURCE PLAN

BACKGROUND

1. On March 15, 1993 the Montana Power Company (MPC) filed its 1993 Load Forecast and Integrated Least Cost Resource Plan (plan) pursuant to ARM 38.5.2001 et seq. (rules).

2. Pursuant to the Montana Public Service Commission's (Commission) rules, a 30 day comment period was provided following Commission receipt of MPC's plan. On April 19, 1993 the Commission received a request from MPC's Least Cost Planning Advisory Committee (LCPAC) for a 45 day extension of the written comment period. On April 29, 1993 the Commission granted the LCPAC request.

3. Written comments were filed by LCPAC, the Montana Consumer Counsel (MCC), the Department of Natural Resources and

Conservation (DNRC), Large Customer Group (LCG), Stone Container Corporation, The Northwest Solar Energy Association and Paul Richards. The Commission held public hearings in Helena, Missoula and Billings to receive public comment on MPC's plan.

4. The Commission employed a consultant to analyze the written and oral comments. The consultant provided a report to the Commission which summarized the comments and made recommendations on a response to MPC's plan.

5. The most recurring comment is that MPC's plan lacks adequate transparency to determine if the planning process results in a resource plan that is least cost. The consultant's report echoed this sentiment stating that MPC's plan fails to be thoroughly documented and reasonably understandable as stated by Commission rules.

STATEMENT

6. The Commission recognizes and appreciates the extensive effort MPC and those who have provided comments have put into the integrated least cost resource planning process. The Commission applauds the Company's commitment to the spirit and intent of the integrated least cost resource planning guidelines. The guidelines state that integrated least cost resource planning is an

ongoing, dynamic and flexible process. The Commission is encouraged by MPC's strong start and looks forward to MPC refining the process to the benefit of the people of Montana.

7. The Commission finds, however, that MPC's plan does not provide the transparency necessary to determine whether the plan will result in the provision of electricity service at the least cost. The Commission finds the plan deficient in the following respects:

- a. Inadequate documentation of the production and environmental costs and the performance ability of all evaluated supply-side resources, including bid resources.
- b. Inadequate documentation of the evaluation process applied to all demand-side resources, including bid resources, especially with respect to:
 - i. cost effectiveness tests
 - ii. DSM supply curves
 - iii. use of rate design to yield demand-side resources
 - iv. impact of DSM on transmission and distribution resources
 - v. how measures are combined into programs
 - vi. analysis of capacity value.

- c. Inadequate documentation of any analysis related to minimizing transmission and distribution costs.
- d. Inadequate documentation of the criteria used by management in making decisions on the final set of resources contained in the preferred plan.
- e. Inadequate documentation of how the selected plan compares to other plans under various future scenarios involving demand forecasts, environmental laws, technology improvements, economic conditions and public perceptions of conservation.
- f. Inadequate documentation of the long term goals and objectives of the planning process and the short term goals and objectives of the action plan.
- g. Inadequate documentation of how transmission was valued for each individual resource.
- h. MPC's use of benefit/cost ratios as a resource screening tool does not appear to result in minimization of total societal costs.
- i. MPC does not appear to have evaluated demand-side resources consistently with supply-side resources.

CONCLUSIONS OF LAW

1. Montana Power Company is a public utility subject to the jurisdiction of the Montana Public Service Commission pursuant to Title 69, Chapter 3, MCA.

2. The Montana Public Service Commission may require public utilities providing electric service to file plans for meeting the requirements of its customers (least cost plan) in the most cost-effective manner consistent with the utility's obligation to serve. . 69-3-1204(1), MCA.

3. The Montana Public Service Commission may adopt guidelines to be used in preparing least cost plans. . 69-3-1204(3), MCA.

4. If least cost plans do not meet the requirements of the Commission guidelines, the Commission must return the plan to the utility with a list of deficiencies and a time certain to submit a corrected plan. . 69-3-1204(3), MCA.

5. The Montana Public Service Commission has adopted least cost planning guidelines. ARM 38.5.2001-2012.

ORDER

Montana Power Company Is Hereby Directed to refile its least cost plan with the Commission, correcting for those deficiencies

identified at paragraph 7 above. In addition, MPC is directed to correct for any deficiencies that it has discovered in its plan since its initial filing. MPC may refile the entire plan, or merely replacement pages and additions, at its option. But in any case, MPC should clearly identify the revised portions of its plan. MPC should serve its revised plan on the Commission and on those persons who commented on the initial plan. MPC does not need to provide its revised plan to libraries, its area offices, or to the initial service list. MPC is directed to refile its plan within 60 days of the service date of this Order. The Commission will provide interested persons 30 days in which to submit written comments on the refiled plan. At this time the Commission does not anticipate holding additional public hearings in this matter.

Done and Dated this 24th day of September, 1993 by a vote of

3 - 1.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

NANCY MCCAFFREE, Commissioner

DANNY OBERG, Commissioner
(Voting to Dissent)

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.